

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MARTIN GAS, INC. FOR)	
AUTHORITY TO ADJUST RATES AND TO)	CASE NO. 90-402
EXTEND CURRENT SURCHARGE)	

O R D E R

Martin Gas, Inc. ("Martin") refused to provide the information requested in Item 15(d) through (m) of the Commission's February 15, 1991 Order based on the objection that "this information is not available to Martin Gas, Inc." The Commission hereby finds that since the building rented by Martin is owned by Mr. Estill Branham, Martin's manager and named witness in this proceeding, it is reasonable and necessary for Martin's witness Mr. Estill Branham to answer the previously asked question marked Item 15(d) through (m). The Commission hereby COMPELS Martin to provide, no later than April 1, 1991, the answers to Item 15(d) through (m) of its February 15, 1991 Order. In addition to the previously requested information, Martin shall indicate for all companies, business entities, or persons that rent from the building owned by Mr. Branham and rented by Martin, the amount of square footage rented for office use and storage use and the monthly rent paid. Identify any unused portion of the building.

IT IS FURTHER ORDERED that Martin Gas, Inc. ("Martin") shall file an original and 12 copies of the following information with

this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. The information requested herein is due no later than April 1, 1991.

1. In Item 1 of the Commission's February 15, 1991 Order, Martin was required to provide a thorough and detailed explanation for the differences for several accounts listed in Item 4 of the January 25, 1991 Order. The response to Item 1 did not adequately explain the differences identified. The information provided in Item 1, Exhibit 1, page 4 of 13 does not provide an explanation for the identified differences. Provide the requested explanations for each of the following accounts:

- a. Gas Purchases
- b. Service Supplies and Expense
- c. Contract Labor
- d. Rents
- e. Accounts Supplies and Expense
- f. Office Supplies and Expense
- g. Outside Services Employed
- h. Regulatory Commission Expense
- i. Transportation Expenses

j. Payroll and Other Taxes

k. Interest

2. The response to Item 1, Exhibit 1, page 4 of 13 of the Commission's February 15, 1991 Order shows that gas purchases totaled \$110,162. However, the sum of the 12 months' balances indicates the total is \$111,726. Indicate which total is correct and provide a complete explanation for the difference in the totals when the same numbers were used to arrive at the totals.

3. The response to Item 9 of the Commission's February 15, 1991 Order indicated that an income tax rate of 15 percent was used in calculating the income tax liability. The response to Item 1, Exhibit 1, page 4 of 5, Adjustment 9 of the January 25, 1991 Order indicated that a rate of 25 percent was used. Indicate the correct income tax rate and show how the consolidated estimated rate was determined.

4. The response to Item 10 of the Commission's February 15, 1991 Order indicated that an amortization schedule for the Department of Local Government loan was filed in Case No. 90-254.¹ A review of the record in Case No. 90-254 indicates that a loan amortization schedule was not provided in that case. Provide the requested loan amortization schedule.

5. The response to Item 11 of the Commission's February 15, 1991 Order indicated that the amount of the loan with First

¹ Case No. 90-254, Application of Martin Gas, Inc. for Approval of Indebtedness Pursuant to KRS 278.300, Order dated November 20, 1990.

Guaranty Bank was increased \$1,500 in February 1988. The Commission's records contain two loan documents relating to this loan. The first document is dated May 4, 1987, for a financed amount of \$65,000, and a monthly payment of \$1,318.25. The second document is dated January 15, 1988, is also for a financed amount of \$65,000, and a monthly payment of \$1,394.73. Martin's general ledgers indicate the monthly payment currently is \$1,358.45. Provide the following information:

a. A copy of the loan agreement with First Guaranty Bank currently in force, including all amendments.

b. If this loan was increased by \$1,500, explain why Commission approval was not sought by Martin.

6. The response to Item 12 indicates that a review of current Commission Orders indicates that a return on equity of 15 percent is proper. Indicate the Orders which were included in this review, listing the case number, the utility, and the date the Order was issued.

7. Concerning the response to Item 14, provide the following information:

a. Identify the source of the fair market value used in determining the rent for Martin's office space. Include an explanation of how the fair market value was determined, along with any supporting documentation or workpapers.

b. Explain how "one half of that value" was used in the determination of Martin's rental charge.

8. Regarding the response to Item 15, indicate the square footage of office space and the square footage of shop and storage space provided by Martin's monthly rental expense of \$500.

9. In Item 17(a) of the February 15, 1991 Order, Martin answered in its Exhibit 17 that no basis for Mr. Branham's annual salary could be provided because it was "negotiated between two unrelated parties." Identify the unrelated parties and provide all support as to why Martin, who is not an unrelated party to this proceeding, would not be able to justify and explain a basis of an annual salary paid to its manager.

10. In response to Item 26 of the Commission's February 15, 1991 Order, Martin states "there is no common ownership of common stock between employees or shareholders of Martin or employees or shareholders of KISU. Kimberly R. Crisp is a shareholder in KISU and part-time employee in Martin. Estill Branham, manager of Martin, on occasion gives advice to KISU. Mr. Branham is not paid by KISU." In the Commonwealth of Kentucky, Floyd Circuit Court, Civil Action No. 90-CI-344, Ralph Stevens and KISU Service Company, Inc. v. Public Service Commission, et al, a deposition of Ralph Stevens was taken on Monday, August 27, 1990 and duly recorded. A copy of this deposition may be examined at the Commission's office upon request. On page 26 of that deposition, answer to question 62, the witness, Ralph Stevens, states "my only contact with anyone was with Estill Branham, concerning setting up a corporation and the format and, basically, that was it. I could say that he, you know, he retained me to set the corporation up. Now, whether or not at that point I could say I was setting it up

for him, by that meaning literally for whoever was going to be the ultimate owner of the corporation, I don't know." He also testified in that same deposition on pages 21 through 22 that the original stock certificates were not made out. Attached and marked Exhibit A and B are KISU's 1989 and 1990 Secretary of State's annual verification report signed by Estill Branham as manager. Provide an amended answer to Item 26 or in the alternative a complete explanation including any documentation which supports the prior answer.

11. Indicate whether the offices for KISU Service Company, Inc., as identified in the response to Item 25(c) of the Commission's February 15, 1991 Order, are located at the same site as the office and storage space rented by Martin. Provide a street or route address of Martin's office.

12. Provide a detailed description of the storage needs of Martin during the test year.

13. For the test year, provide a schedule of the materials, supplies, equipment, and other inventory items owned by Martin. The schedule shall include a description of the item, the original cost, and how long the item has been in inventory.

14. During October 1989 through February 1990 various checks including but not limited to Check No. 1397, 1411, 1450, and 1481 were written payable to KISU.

a. Provide copies, front and back, of all cancelled checks written payable to KISU during the above mentioned period of time.

b. KISU's scheduled invoice indicates that the checks referred to above were in part to pay Estill Branham's manager fee of Martin Gas in the monthly amount of \$1,800. Provide all documentation, contracts, invoices that support the payment of the monthly manager fee.

c. Provide an itemization of any and all compensation Mr. Estill Branham received as receiver for Martin during October 1989 through January 1990. Provide all documentation.

15. During March 1990 through June 1990, Checks No. 1538, 1558, 1612 and 1655 were written payable to KISU.

a. Provide copies, front and back, of the cancelled checks mentioned above.

b. Provide the invoice and any other documentation provided by KISU prior to the payment of these checks. If there was no prior documentation, provide a schedule reflecting transactions for which these payments were made.

Done at Frankfort, Kentucky, this 20th day of March, 1991.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director

SECRETARY OF STATE'S ANNUAL VERIFICATION REPORT

(7) RECORD NO. 100140
DUE JUNE 30, 1989

(1) EXACT CORPORATE NAME KISU SERVICE CO., INC.

(2) STATE OF INCORPORATION KENTUCKY
(3) REGISTERED AGENT'S REGISTERED ADDRESS

(4) DATE OF INCORP. OR CERT. OF AUTH. 01-13-84
(5) CORRECTED AGENT OR AGENTS ADDRESS

(6) FILING FEE \$ 15.00
(SEE 1)

RALPH M. STEVENS
30 N. LAKE DR.
PRESTONSBURG, KY. 41653

AGENT MUST VERIFY ACCEPTANCE OF NEW APPOINTMENT BY SIGNATURE
*1. Stock corporation add \$10.00. Non-stock corporation add \$5.00 if changing line (5) or (5B).
ANY CHANGE MADE TO THE AGENT OR AGENTS ADDRESS AFTER THE ANNUAL REPORT FILING
MUST BE MADE ON FORMS OBTAINED FROM THIS OFFICE

I VERIFY THAT THE RECORDS OF THE SECRETARY OF STATE ARE TRUE AND CORRECT AND
I AM AUTHORIZED TO SIGN THIS REPORT

(7B) CORRECTED PRINCIPAL OFFICE ADDRESS

AUTHORIZED SIGNATURE E. F. H. Brinkman P. OF PRINCIPAL OFFICE ADDRESS
TITLE President PHONE 606-884-7392 PRESTONSBURG, KY. 41653-5044

I consent to serve as new registered agent for the corporation
Corporation's registered office is identical to my business address

AGENT'S SIGNATURE _____

009163

(Complete front and back page - Make check payable to Kentucky State Treasurer - Mail BOTH
annual report form and check to BREWER EHRLE, SECRETARY OF STATE
P. O. Box 1180, Frankfort, Kentucky 40603-1180 (502-564-2848)

PLEASE TYPE OR PRINT

Annual reports must now also include the names and business address of corporation's directors and principal officers.
The lines below have been provided for this information. If necessary please attach a continuation sheet.
* Professional service corporations per KRS 274.105 are still required to list the names and addresses of all shareholders in
addition to the directors and principal officers*** (authorized signature line below for PSC's only)

Ralph Stevens - Prestonsburg, Ky 41653

Pursuant to KRS 274.105, I the undersigned, being president of the KRS Chapter 274 corporation named on the reverse side
of this report, a professional service corporation, do hereby certify that all of the shareholders of the said corporation, not less
than one half of the directors, and all officers other than secretary and treasurer, are duly qualified as provided in Chapter 274.

AUTHORIZED SIGNATURE _____

SECRETARY OF STATE'S ANNUAL VERIFICATION REPORT

(Due June 30 - If corporations must file by this date in avoid bad standing status)

RECORD# 185546

DATE: June 30, 1990

FILING FEE: 15.00

(1) EXACT CORPORATE NAME AND PRINCIPAL OFFICE ADDRESS:

KISU SERVICE CO., INC.
P. O. BOX 1084
PRESTONSBURG, KY. 41653-5084

An additional \$10 or \$5 is required if you correct the information listed in block #3) below. See*

(2) STATE OF INCORPORATION:

KENTUCKY

(3) CORRECTED PRINCIPAL OFFICE ADDRESS:

(4) DATE OF INCORPORATION OR CERTIFICATE OF AUTHORITY:

01-13-84

(5) REGISTERED AGENT AND REGISTERED ADDRESS:

RALPH H. STEVENS
50 N. LAKE DR.
PRESTONSBURG, KY. 41653

(6) CORRECTED AGENT OR AGENT'S ADDRESS:

AGENT MUST VERIFY ACCEPTANCE OF NEW APPOINTMENT BY SIGNATURE *(Stock corporation add \$10 if changing block #5). Non-stock corporations add \$5 if changing block #5). ANY CHANGE MADE TO THE AGENT OR AGENT'S ADDRESS AFTER THE ANNUAL REPORT FILING MUST BE MADE ON FORMS OBTAINED FROM THIS OFFICE.

I VERIFY THAT THE RECORDS OF THE SECRETARY OF STATE ARE TRUE AND CORRECT AND I AM AUTHORIZED TO SIGN THIS REPORT (ALL CORPORATIONS MUST SIGN ON AUTHORIZED SIGNATURE LINE).

AUTHORIZED SIGNATURE Still Branchville, LE 1141094 PHONE 106-886-2315

I consent to serve as new registered agent for the corporation. Corporation's registered office is identical to my business address. (Newly appointed agent, please sign below.)

AGENT'S SIGNATURE

0254758

CAUTION READ CAREFULLY - Make check payable to Kentucky State Treasurer - Mail both annual report form and check to BREMER SMILER, SECRETARY OF STATE, P. O. BOX 1100, FRANKFORT, KY 40602-1100 (502 564 2646).

PLEASE TYPE OR PRINT (The annual report will not be accepted for filing if this section is not completed.) Annual reports must now also include the names and business address of the corporation's directors and principal officers. The lines below have been provided for this information. If necessary, please attach a continuation sheet.

Ralph Stevens, Pres.
50 N. Lake Dr.
Prestonsburg, Ky 41653

PROFESSIONAL SERVICE CORPORATIONS ONLY - KRS 274.105 Requires the names and addresses of all shareholders in addition to the directors and principal officers. (Authorized signature line below for PSC's only)

Pursuant to KRS 274.105, I the undersigned, being President of the KRS Chapter 274 corporation, a professional service corporation, do hereby certify that all of the shareholders of the said corporation, not less than one half of the directors, and all officers other than secretary and treasurer, are duly qualified as provided in Chapter 274. (Please use the lines above or attach continuation sheet.)

AUTHORIZED SIGNATURE

EXHIBIT B

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MARTIN GAS, INC.,)	
FOR AUTHORITY TO ADJUST RATES AND)	CASE NO.
TO EXTEND CURRENT SURCHARGE)	90-402

O R D E R

The Commission finds that the information currently in the record is incomplete to determine the reasonable expense level for compensation paid to full and part-time individuals during the test year in order to determine fair, just, and reasonable rates. Many of the employees who worked for Martin Gas, Inc. ("Martin") during Martin's test year in this proceeding also formerly worked for and may currently work for Auxier Road Gas Company, Inc. ("Auxier") and Johnson County Gas Company, Inc. ("Johnson County"). Estill Branham is the president of Auxier and is the manager, pursuant to a service contract, of Johnson County. The past rate case filed by Auxier with this Commission, Case No. 10288¹ indicates that at least three of the employees for which expenses are listed in this proceeding were employees of Auxier. Similarly, the last rate case of Johnson County, Case No. 10415²

¹ Case No. 10288, The Adjustment of the Rates of Auxier Road Gas Company, Inc. for an Increase in Gas Rates.

² Case No. 10415, An Investigation of the Rates of Johnson County Gas Company, Inc.

indicates that at least three of the employees for which expenses are claimed in this proceeding by Martin were employees of Johnson County. The Commission recognizes that Auxier and Johnson County are not parties to this proceeding and at this time do not have rate proceedings pending. However, in order to determine the reasonable expense level for Martin it is necessary for the Commission to acquire information from Auxier and Johnson County regarding their employees during the test year for which Martin has proposed. The Commission further finds that some of the same employees may also work for KISU Service Company, Inc. ("KISU") for which expenses have been claimed.

IT IS THEREFORE ORDERED that Auxier and Johnson County shall file the original and 12 copies of the following information, with a copy to all parties of record, no later than April 1, 1991.

1. Identify the name of all individuals who received any compensation during the period of October 1, 1989 through September 30, 1990.

2. For every person identified in number one above indicate using weekly schedules the total number of hours worked during the period, the wage rate or salary in effect, and the total wages or salaries paid.

3. Provide a monthly breakdown of money paid to KISU during the period of October 1, 1989 through September 30, 1990, itemizing each monthly breakdown by services rendered.

Done at Frankfort, Kentucky, this 20th day of March, 1991.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director